



Title: Title I, Payroll/Personnel Manual

Chapter: 28, Section 2, Tax Formulas (TAXES)

Bulletin: TAXES 03-17, Federal Income Tax Withholding

Date: June 30, 2003

To: Holders of TAXES
Personnel User Groups
Agency Personnel Offices

This bulletin provides information concerning (1) Federal income tax withholding formula changes and (2) a change in the supplemental wage flat withholding rate for Federal income tax.

Federal Income Tax Withholding

Effective May 28, 2003, the Federal income tax withholding formula changed. The Single or Head of Household and Married withholding tables changed and the exemption allowance increased from \$3,050 to \$3,100.

Beginning with salary payments for Pay Period 13, Federal income tax will automatically be withheld in accordance with the new formula. No action on the part of the employee or the personnel office is necessary.

To view the updated tax formula, go to the National Finance Center (NFC) home page (www.nfc.usda.gov) and click on **Pubs & Forms**. Then on the Pubs & Forms page left hand menu, click **Tax Formulas** and select **Federal** from the map provided. Changes on the tax formula are identified by “►◄”.

Supplemental Wage Flat Withholding Rate for Federal Income Tax

Supplemental wages are compensations paid in addition to the regular salary payments. They include, but are not limited to, lump sum payments, cash awards (including spot awards), bonuses, and student loan repayments. Beginning with wages paid for Pay Period 13, the flat withholding rate for Federal income taxes withheld on supplemental wages will decrease from 27 percent to 25 percent.

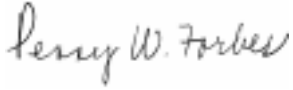
This change does not affect the Federal income tax withholding on the employee's regular salary payments. NFC will continue to withhold Federal income taxes on the employee's regular salary payments based on the employee's Federal income tax exemption data currently recorded in the Payroll/Personnel System and in accordance with the new Federal tax formula.

Filing Instructions: File with the Payroll/Personnel Manual.

Expiration Date: When superseded

Inquiries

For questions about NFC processing, contact the Payroll Operations Branch at **504-255-4630** . Refer questions about system access and other system related issues to Customer Support at **504-255-5230** or via e-mail at *customer.support@usda.gov*. Refer questions about this bulletin to **504-255-5322** or via e-mail at *nfc.pvct@usda.gov*.



PENNY W. FORBES, Acting Director
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Federal Income Tax Withholding Formula

Withholding Formula ►(Effective Pay Period 13, 2003)◄

1. Subtract the biweekly Thrift Savings Plan contribution from the gross biweekly wages.
2. Subtract nontaxable Federal Health Benefits Plan payments from the adjusted gross biweekly wages.
3. Add taxable fringe benefits (taxable life insurance, etc.) to the adjusted gross biweekly wages.
4. Multiply the adjusted gross biweekly wages by 26 to obtain the annual wages.
5. Determine the exemption allowance by applying the following guideline. Subtract this amount from the annual wages to obtain the taxable income.

Exemption Allowance = ►\$3,100◄ x Number of Exemptions

6. Apply the taxable income computed in step 5 to the following table to determine the Federal income tax withholding.

Tax Withholding Table
Single or Head of Household

If the Amount of Taxable Income Is:		The Amount of Federal Income Tax Withholding Should Be:			
Not more than \$2,650		\$0			
Over:	But Not Over:	Of Excess Over:			
► \$ 2,650.00	\$ 9,700.00	\$ 0	plus 10%	\$ 2,650.00	
9,700.00	30,800.00	705.00	plus 15%	9,700.00	
30,800.00	68,500.00	3,870.00	plus 25%	30,800.00	
68,500.00	148,700.00	13,295.00	plus 28%	68,500.00	
148,700.00	321,200.00	35,751.00	plus 33%	148,700.00	
321,200.00	and over	92,676.00	plus 35%	321,200.00	◄

Married

If the Amount of Taxable Income Is:		The Amount of Federal Income Tax Withholding Should Be:			
Not more than \$8,000		\$0			
Over:	But Not Over:	Of Excess Over:			
► \$ 8,000.00	\$ 22,300.00	\$ 0	plus 10%	\$ 8,000.00	
22,300.00	64,750.00	1,430.00	plus 15%	22,300.00	
64,750.00	118,050.00	7,797.50	plus 25%	64,750.00	
118,050.00	185,550.00	21,122.50	plus 28%	118,050.00	
185,550.00	326,100.00	40,022.50	plus 33%	185,550.00	
326,100.00	and over	86,404.00	plus 35%	326,100.00	◄

7. Divide the annual Federal income tax withholding by 26 to obtain the biweekly Federal income tax withholding.